

Library Visit 12/2/2024

Today during my library visit, I started reading a NOLO legal reference book called Chapter 13 Bankruptcy, Keep Your Property & Repay Debts over time. The book is by Cara O'Neill. According to Chapter 14, page 227, it states the following about passbook savings loans.

Borrow from a Bank

Bank loans provide an excellent way to rebuild credit. A few banks offer a passbook savings loan, which is like a secured credit card. You would deposit a sum of money into a savings account, and in exchange the bank makes you a loan. You would have no access to your savings account, while your loan is outstanding, because the bank would use the money to repay the loan if you default.

I did some further research and found an article from Bank rate. I have included some information within that article.

Passbook loans: Paying to borrow your own money

I have found the following information under what is a Passbook Loan, Also referred to as a share-secured or savings-secured loan; passbook loans are [secured loans](#) that use your savings account balance as collateral. That means if you default on the balance, your savings could be seized to repay the delinquent balance.

You'll need a savings account or [certificate of deposit](#) (CD) to be eligible. Unlike traditional loans, passbook loans are easier to get approved for with most lenders due to your collateral. While rare, these loans are offered by financial institutions, like banks and credit unions, and can be a convenient way to borrow money while rebuilding your credit.

As I started looking further into what financial institutions might offer a passbook savings loan, I have come across the following websites, Bank5, Community Savings Bank, and Somerset Federal Credit Union.

Bank5

Minimum loan amount of \$500

Borrow up to 95% of the balance in your Bank Five savings or CD account*

Interest-only and Installment options available

With the Interest-only option, you pay only 3.000% over the rate of the savings or CD account used to secure the loan, and payback terms are flexible**

With the Installment option, the rate is 3.500% over the rate of the savings or CD account that is securing the loan

Apply Online - just select either "Savings Secured Loan - Interest Only" or "Savings Secured Installment Loan"

Community Savings Bank

- The Passbook loan is a very secure way to borrow money at a very low interest rate against your own funds that you have on deposit with our financial institution.
- Individuals can borrow up to 90% of their available account balance against a related account for a period not exceeding 3 years.
- Individuals can establish or re-establish their credit, because all payment history is reported to a national credit bureau.
- The application for a Passbook loan does not involve credit verification. The related account will involve Chex Systems verification.

- Your collateral account stays at the bank, safe and secure, earning interest for you.
- You can choose to have your monthly payments automatically withdrawn from another account at Community Savings Bank, eliminating the hassle to make monthly payments in person in a timely method.
- During the life of the loan, customers have the opportunity to reduce the collateral requirement by requesting an adjustment, up to 90% of the current loan balance. This will allow a customer to utilize funds in the account that were previously unavailable.

Somerset Federal Credit Union

Must maintain a \$5.00 minimum balance in the account in addition to any funds used as collateral for the loan.

Rates and terms are subject to change without notice.

Minimum loan amount is \$250 and maximum amount is \$30,000

Notes

I would consider reaching out to Community Savings Bank, to get an idea of their minimums and their coverage area locations. At the same time I would consider reaching out to some banks and credit unions directly and jot down their minimums for their passbook savings loans. Overall this mostly sounds like a good option, except for the parts of the minimum balance requirements.